

TEACHERS' RETIREMENT BOARD
BUDGETS AND AUDITS COMMITTEE

SUBJECT: Revised 2000/2001 Annual Audit Work Plan

ITEM NUMBER: 10

ATTACHMENT(S): 1

ACTION:

DATE OF MEETING: February 8, 2001

INFORMATION: X

PRESENTER(S): Way Lee

Due to the delay of the START project's "Go Live" date and staffing changes within the Office of Audits, we have revised the Office of Audits Annual Audit Plan for Fiscal Year 2000-2001 (work-plan). Details of these revisions are provided within Attachment 1, which indicates the status of all projects included within our original work-plan that was approved by the Board in July, 2000. Attachment 1 also identifies new projects that have been added to the plan.

Our approved work-plan was developed under the assumption that START would be fully implemented by the end of December, 2000. Since that date has been extended to March 15, 2001, we cannot begin some of our planned post implementation audit work until later in the fiscal year. Furthermore, internal audits of those units highly effected by START implementation, must be postponed until fiscal year 2001-2002. Consequently, we have added some new audit projects to our original audit plan.

In addition, when we developed our approved work-plan we estimated available hours based on five internal auditors, five school district auditors, and two compliance analysts. However, one internal auditor and one school district auditor transferred out of the Office of Audits in December and January, respectively, and one compliance analyst retired in December. We are currently in the process of recruiting for the two auditor positions. The analyst's position will remain unfilled for the remainder of the fiscal year as part of CalSTRS' salary savings efforts that were implemented to help fund START project costs.

Furthermore, as indicated within the agenda item preceding our approved work-plan, one of our internal auditors was promoted to a supervisor position in October, 2000. Consequently, some of the auditor's and audit chief's duties/responsibilities have shifted. This will result in a reduction of productive audit hours.

<p align="center">(Projects identified on original Audit Plan) Office of Audits Objectives <u>Internal Audits</u></p>	<p align="center">Status of Projects</p>
<p>EXECUTIVE BRANCH</p> <p>START Project</p> <ul style="list-style-type: none"> • I & FS Branch Reconciliation Project • Database Security Review • Conversion project – testing methodologies, data controls, & process controls • Post Implementation Review – Planning • Post Implementation Review <p>General: CalSTRS Operations Perform Risk Assessment</p>	<p>OOA staff work Completed Completed</p> <p>OOA staff work Completed On Schedule On Schedule</p> <p>Postponed until FY 2001/02</p>
<p>INVESTMENTS BRANCH</p> <p><u>General:</u></p> <ul style="list-style-type: none"> • Investments Branch Risk Assessment • Investment Audit #1 (Soft Dollars) • Investment Audit #2 (Real Estate) • Investment Audit #3 (Internal Equities) • Investment Audit #4 (Investment Accounting, Record-keeping, & Reporting) 	<p>Completed On Schedule On Schedule On Schedule On Schedule</p>
<p>CLIENT BENEFITS & SERVICES BRANCH</p> <p><u>Disability & Survivor Benefits Division:</u> Follow-Up Audit: Death Match Process</p>	<p>On Schedule</p>
<p>INFORMATION & FINANCIAL SYSTEM BRANCH</p> <p><u>Accounting Division:</u> Accounts Receivable Audit</p> <p><u>Information Technology Services Division:</u> Network Security Review</p>	<p>Postponed until FY 2001/02</p> <p>Postponed until FY 2001/02</p>

<p align="center">(Projects identified on original Audit Plan) Office of Audits Objectives <u>Internal Audits</u></p>	<p align="center">Status of Projects</p>
<p>EXTERNAL AFFAIRS & PROGRAM DEVELOPMENT BRANCH</p> <p><u>Cash Balance Plan AB1509 Implementation Team:</u> Cash Balance Project Team (Review of Int/Controls) AB1509 Implementation Team</p>	<p>audit name/scope change On-going</p>
<p>ADMINISTRATION BRANCH</p> <p><u>Office of Audits:</u></p> <ul style="list-style-type: none"> • Coordination of CalSTRS annual financial audit • Quarterly Follow-Up on prior audit findings/observations • Annual Audit Planning • Business Process Automation Project Review 	<p>Completed</p> <p>On-Going On Schedule On Schedule</p>
<p align="center">(NEW PROJECTS ADDED to FY 2000-2001 Audit Plan) Office of Audits <u>Internal Audits</u></p>	<p align="center">Status of Projects</p>
<p>ADMINISTRATION BRANCH</p> <p><u>Administrative Services:</u> SAM 20000 Review of Internal Controls</p> <p><u>Office of Audits:</u> Various Technical Assistance Projects</p>	<p>Audit added to FY 2000/01 Plan</p> <p>On-going projects added to FY 2000/01 Plan</p>

(Projects identified on original Audit Plan) Office of Audits Objectives <u>School District Audits</u>	Status of Projects
SCHOOL DISTRICT AUDITS Defined Benefit Program (DBP) Audits (7) Cash Balance Benefit Program Audits (2) Control Self-Assessment Visits (2) Follow-up to Prior Audits (7) Respond to Executive Reviews (3)	On Schedule On Schedule On Schedule On Schedule On Schedule
EXECUTIVE BRANCH START Project I & FS Branch Reconciliation Project	OOA staff work Completed
ADMINISTRATION BRANCH Office of Audits School District Audit Program Adjustment LAUSD Preliminary Survey	On Schedule To include with DBP Audit
CLIENT BENEFIT & SERVICES BRANCH / INFORMATION & FINANCIAL SYSTEM BRANCH Service Retirement Div. / Membership Div.: Exception Lines Correction & Manual Calculation Review	On Schedule

(Projects identified on original Audit Plan) Office of Audits Objectives <u>Compliance Cases</u>	Status of Projects
<ul style="list-style-type: none"> • <u>Compliance Cases</u> <p>Open new cases during fiscal year (not completed by FYE), 30 @ 15.33 hours</p> <p>Complete cases in process (from prior years), 24 @ 20 hours, 9 @ 50 hours</p> <p>Open & Complete new cases during fiscal year, 35 @ 30 hours</p> <p>Follow-up on completed cases, 10 cases @ 10 hours</p> <p>Complete District Audit Follow-Ups</p>	<p>On Schedule *</p> <p>On Schedule</p> <p>On Schedule</p> <p>On Schedule</p> <p>On Schedule</p>

* Some of the compliance case work will be performed by the School District field auditors during their field audits. This change in methodology will save time since documents can be reviewed on site.